GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:1889
ANSWERED ON:09.03.2001
DIFFERENCE IN RATE OF INTEREST
MANIKRAO HODLYA GAVIT

Will the Minister of FINANCE be pleased to state:

(a) whether there is disparity in the rate of interest in public sector banks and private sector banks operating in the country;

(b) if so, the extent of difference in the rate of interest; and

(c) the steps taken by the Government to remove this disparity in rates of interest?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL)

(a),(b) and (c):Reserve Bank of India has given Commercial banks in the Public and Private Sector freedom to fix their own interest rates on domestic term deposits. Banks have also been permitted to charge interest on loans/advances upto Rs.2 lakh at a rate not exceeding their Prime Lending Rate (PLR) and above Rs.2 lakh at a rate not below their PLR, except in respect of the following categories of loans/advances:

(i) Loans covered by refinance scheme of term lending institutions.

(ii) Interest rates on bank lending to intermediary agencies including housing finance intermediary agencies.

(iii) Bill discounting by banks.

(iv) Advances/overdrafts against domestic/NRE/FCNR(B) deposits to the depositor.

As on February 16, 2001, PLRof five major banks range between 12.00 to 12.50 per cent per annum and the rate of interest on term deposits of more than one year maturity range between 8.50 to 10.00 per cent per annum. RBI regulates interest rate on Savings Bank deposits only and it is presently fixed at 4.0 per cent per annum.